



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**November 04, 2002**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank And Trust Company Of Junction City, Kansas  
Charter Number 3543**

**702 North Washington Street  
Junction City, KS 66441**

**Comptroller of the Currency  
Kansas City North Field Office  
6700 Antioch Road Suite 450  
Merriam, KS 66204**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

Major factors supporting this rating are:

- The bank has an excellent distribution of consumer auto and conventional 1-4 family residential real estate loans among all income levels, including low- and moderate-income borrowers and a good distribution of loans to businesses with revenues of less than \$1 million.
- The geographic distribution of loans is good. For each loan type sampled, the percentage of loans to moderate-income tracts either exceeds or is near to Assessment Area (AA) demographics.
- The bank's level of lending inside its AA meets the standard. The bank originated 73% by number and 51% by dollar volume of its loans to borrowers within the AA.
- The bank's quarterly loan to deposit (LTD) ratio of 69% is satisfactory considering the bank's size, condition, credit needs, and the level of competition within the AA.

## **DESCRIPTION OF INSTITUTION**

The First National Bank and Trust Company of Junction City (FNB) is a \$62 million intrastate bank operating its main office in Junction City, Kansas. FNB also operates a full-service branch in west Junction City and in Herington, Kansas. FNB is owned by Exchange Company, Deshler, Nebraska, a three-bank holding company with combined assets of \$195 million. Bank affiliates include The Nebraska National Bank, Kearney, Nebraska, and Exchange Bank, Gibbon, Nebraska, with total assets of \$58 million and \$69 million, respectively.

FNB is a full-service bank with drive-up facilities and an automatic teller machine (ATM) at each facility. Four additional ATMs are available in retail establishments or restaurants within the AA. FNB offers a broad range of loan and deposit products. Its lending focus is primarily commercial and real estate loans. As of September 30, 2002, net loans totaled \$32 million and represented 52% of the bank's total assets. Tier one capital is \$5 million. By dollar volume, the loan portfolio is comprised of the following: commercial (57%), conventional 1-4 family residential real estate (25%), lease financing (8%), consumer (6%), agricultural (3%), and other (1%).

There are no financial conditions, legal constraints, or other factors that impede the bank's ability to meet the credit needs of its AA. The bank received a Satisfactory rating at its last CRA evaluation dated April 16, 1997.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's AA comprises all of Geary County, Block Numbering Area (BNA) 9836 in Morris County, and BNAs 9841, 9845, and 9846 in Dickinson County. The AA is contiguous and is in a non-metropolitan statistical area. The AA is legal, meets the requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geographies. Three of the 12 BNAs are designated moderate- (25%), seven are middle- (58%), and two are upper-income (17%). The main office in Junction City is located in BNA 5 (moderate-income) and the west Junction City branch is in BNA 3 (middle-income), both in Geary County. The Herington branch is located in BNA 9846 (middle-income) in Morris County. The 1990 median family income for the AA was \$28,067. The 2002-updated statewide non-metropolitan median family income is \$44,200. Population in the AA is 43,466. Low-, moderate-, middle-, and upper-income families represent 21%, 22%, 24%, and 33%, respectively, of the AA population. Less than 50% of the AA housing units are owner-occupied. Thirty-nine percent of the housing stock is occupied rental units due primarily to the need for semi-permanent housing for military personnel at Fort Riley. Per the Bureau of Labor Statistics as of September 30, 2002, the unemployment rates in Geary, Morris, and Dickinson counties are 6.5%, 2.5%, and 2.8%, respectively. This compares with the rate for the State of Kansas of 4.6% and a national rate of 5.6% for the same time period. There are eight other financial institutions in the AA. All but three of the competing banks have total assets below \$50 million.

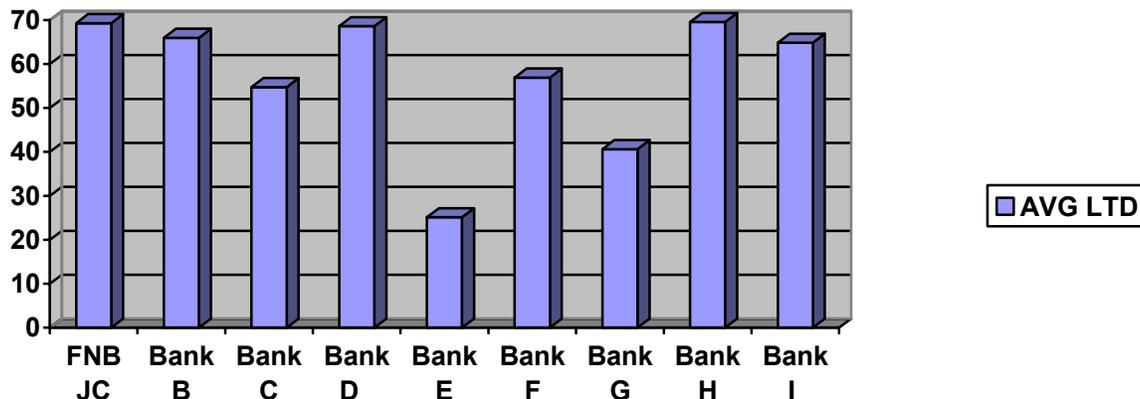
One community contact was made with the Junction City Chamber of Commerce. The contact felt the greatest credit needs were for small businesses and farming. The contact stated that the national banks, and FNB specifically, are very helpful and make great efforts to service the community. Geary County has traditionally had a higher unemployment rate due to the transient community associated with Fort Riley. The contact felt the economy in the AA is starting to rebound. Major employers in the AA are the Junction City School District, Fort Riley military base, Geary Community Hospital, Foot Locker, and Armour Eckridge.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

The bank's 21-quarter average LTD ratio of 69% is satisfactory considering the bank's size, condition, credit needs, and the level of competition within the AA. The LTD is calculated for the time period of June 30, 1997 to June 30, 2002. The quarterly average LTD during the current exam period has increased from 54% at the last evaluation. A portion of the increase is due to the purchase of loan participations and leases. As of September 30, 2002 participations and leases totaled \$9 million. Excluding these loans, the bank's quarterly average LTD ratio would be 51%.

As the chart below illustrates, of the nine banks operating in the AA, the quarterly average LTD ratios ranged from 25% to 70%. FNB ranked second among the nine comparable banks.



The eight comparable banks are similarly situated as they are headquartered in Kansas, they have a limited branch structure, and offer similar products.

### Lending in Assessment Area

The bank’s lending in their AA is satisfactory. The bank originates a majority of its loans to borrowers located inside its AA. OCC examiners tested an internally generated report that was sorted by city and state. The report enabled us to determine whether loans made since the April 1997 exam were either inside or outside the AA. Six percent by number and 7% by dollar volume were unable to be identified as either inside or outside of the AA. To be conservative, they were included in the outside calculation as they were leases and were most likely outside the AA. The report indicates that 73% by number and 51% by dollar volume are within the AA of the bank.

We determined the primary product types using bank prepared reports of loans originated since the previous CRA evaluation. The primary product types by number of loans are consumer auto (29%), non-real estate commercial (19%), and conventional 1-4 family residential real estate (16%). The primary product types by dollar volume are commercial real estate (30%) and conventional 1-4 family residential real estate (14%). Residential real estate loans cannot be separated by type, as the bank does not record the information in that detail.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Loan distribution shows FNB has an excellent record of lending to borrowers of different incomes, including low- and moderate-income individuals, and a good record of lending to businesses of different sizes.

We evaluated the bank’s performance by sampling 20 loans of each of the following loan types: consumer-auto, conventional 1-4 family residential real estate, commercial real estate, and non-real estate commercial. Our sample period focused on loans originated in the current period and the prior two years.

#### Consumer-auto

Borrower Income	% of loans by #	% of loans by \$	% of households
Low-income	30%	35%	20%
Moderate-income	30%	27%	19%
Middle-income	30%	31%	23%
Upper-income	10%	8%	38%

FNB has an excellent record of making auto loans to consumers of different income levels. We compared the bank's performance with the household distribution from the 1990 U.S. Census information. Of the loans sampled, 30% were made to low-income households and 30% were made to moderate-income households. This exceeds the AA demographics that reflect low-income households of 20% and moderate-income households of 19%.

#### Conventional 1-4 Family Residential Real Estate

Borrower Income	% of loans by #	% of loans by \$	% of families
Low-income	15%	10%	21%
Moderate-income	40%	37%	22%
Middle-income	15%	19%	24%
Upper-income	30%	34%	33%

FNB has an excellent record of making conventional 1-4 family residential real estate loans to borrowers of different income levels. Based on our sampling, the bank originated 15% and 40% of its real estate loans to low- and moderate-income borrowers, respectively. This compares favorably to AA demographics of 21% for low-income families and 22% for moderate-income families.

The low penetration to low-income borrowers is mitigated by the fact that 39% of the housing stock is occupied rental units due to the needs of military personnel. Additionally, 12% of families in the AA are below the poverty level.

#### Commercial

FNB has a good record of lending to small businesses within its AA. The 2002 Dun & Bradstreet demographic information indicates 74% of the businesses in the AA have revenues of less than \$1 million, 4% have revenue greater than \$1 million, and 22% did not report revenue information. Loan sampling yielded the following results:

- Eighty-nine percent of the loans sampled for commercial real estate reflected business revenue of less than \$1 million. Of the 20 loans sampled, three did not have revenue information noted in the file.
- Eighty-two percent of the loans sampled for non-real estate commercial loans reflected business revenues of less than \$1 million. Of the 20 loans sampled, three did not have revenue information noted in the file.

### **Geographic Distribution of Loans**

FNB's geographic distribution of loans shows a good dispersion throughout the AA. For each loan type, the percentage of loans to moderate-income tracts either exceeds or is near to AA demographics. Our analysis reflects lending in all tracts within the bank's AA.

To determine geographic distribution, we sampled loans originated in the current period and the prior two years. Loan samples are the same as those used for the analysis of lending to borrowers of different incomes. There are no low-income tracts located in the AA.

Consumer auto loans

Tract Income Level	% of loans by #	% of loans by \$	% of Households
Moderate-Income	20%	13%	27%
Middle-income	55%	70%	54%
Upper-income	25%	17%	20%

Conventional 1-4 family residential real estate

Tract Income Level	% of loans by #	% of loans by \$	% of Owner-Occupied Households
Moderate-income	30%	40%	15%
Middle-income	50%	40%	61%
Upper-income	20%	20%	24%

Commercial real estate

Tract Income Level	% of loans by #	% of loans by \$	% of Businesses
Moderate-income	32%	17%	36%
Middle-income	32%	28%	50%
Upper-income	36%	55%	14%

Non-real estate commercial

Tract Income Level	% of loans by #	% of loans by \$	% of Businesses
Moderate-income	36%	30%	36%
Middle-income	32%	58%	50%
Upper-income	32%	11%	14%

**Responses to Complaints**

FNB has not received any written complaints regarding its CRA performance since the previous CRA examination dated April 16, 1997.

**Fair Lending Review**

An analysis of 2001-2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.